

DIRECTORS

Jack C. Barrow	Thomas J. Bell, M.C.
Betty Kennedy Burton	Edgar G. Burton
G. Allan Burton, D.S.O., E.D., LL.D.	Charles L. Gundy, LL.D.
Raymond Lavoie	Alfred Powis, LL.D.
J. Michael G. Scott	Ian D. Sinclair, Q.C., LL.D.
Charles B. Stewart	James M. Tory, Q.C.
William P. Wilder	A. Ernest Wilkes

OFFICERS

G. Allan Burton, D.S.O., E.D., LL.D.
*Chairman of the Board and
Chief Executive Officer*

Edgar G. Burton
President

Charles L. Gundy, LL.D.
Vice-President

James M. Tory, Q.C.
Vice-President

Ronald J. Crichton
Vice-President, Stores

J. Richard Davidson
Vice-President, Personnel

Kenneth W. Kernaghan, Q.C.
Vice-President and Secretary

Ian C. McSweeney
Vice-President, Merchandising

A. Ernest Wilkes
Vice-President, Finance

Ian M. Gibson
Treasurer

Ronald L. Radley, Q.C.
Assistant Secretary

HEAD OFFICE

THE SIMPSON TOWER
401 Bay Street, Toronto, Canada
M5H 3K2

DEPARTMENT STORES

TORONTO REGION

Downtown
Yorkdale
Cedarbrae
Fairview
Sherway
Brampton
Scarborough
Richmond Hill

LONDON AREA

Downtown
White Oaks

KITCHENER

Fairview Park

MONTREAL REGION

Downtown
Fairview-Pointe Claire
Les Galeries d'Anjou
Le Carrefour Laval
Les Promenades St-Bruno

HALIFAX AREA

Chebucto Road
Micmac-Dartmouth

REGINA

Downtown

OTTAWA

Downtown

WINDSOR

Devonshire Mall

REGISTRARS

THE ROYAL TRUST COMPANY
Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
Vancouver

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
Toronto and Montreal

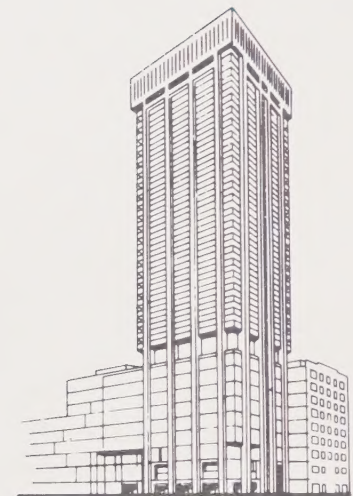
CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
Vancouver

AR21

Simpsons

106th YEAR



INTERIM

REPORT TO SHAREHOLDERS

FOR SIX MONTHS ENDED JULY 5, 1978

SIMPSONS, LIMITED

THE SIMPSON TOWER
TORONTO, CANADA
M5H 3K2

TO THE SHAREHOLDERS:

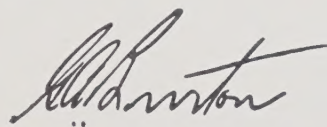
Simpsons net sales for the six months ended July 5, 1978 were \$287,320,000 an increase of 4.2% over the same period last year.

Net earnings for the six months under review including our equity in Simpsons-Sears Limited showed a profit of \$1,626,000 compared with a loss last year of \$295,000, or an improvement of 4.1¢ per share.

Simpsons and Simpsons-Sears had strong second quarter sales increases highlighted by a much improved sales trend in Quebec and Ontario, resulting in a gain for the quarter of \$4,173,000 compared with \$1,084,000 for the same period last year. This included an improvement in Simpsons profit from own operations to \$1,702,000 compared with a loss last year of \$154,000.

Contributing to Simpsons much improved result is better inventory and expense controls and other benefits from planning and organizational changes.

Simpsons 21st store of 130,000 square feet will open in St-Bruno on the south shore of Montreal later this month.



Chairman of the Board
and Chief Executive Officer

August 18, 1978

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire.

SIMPSONS, LIMITED

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

Six months ended

	<i>July 5, 1978</i>	<i>July 6, 1977*</i>
Net sales	\$287,320,000	\$275,866,000
Rentals and other income	2,225,000	2,024,000
Loss from operations before income taxes	2,560,000	4,429,000
Recovery of income taxes	1,909,000	2,733,000
Loss from operations	<u>651,000</u>	<u>1,696,000</u>
Equity in net earnings of other companies:		
Simpsons-Sears Limited (dividends received 1978 — \$3,696,000, 1977 — \$3,696,000).	2,903,000	2,269,000
Shopping centre companies (dividends received 1978 — \$75,000, 1977 — \$212,000).	759,000	530,000
Interest attributable to investments in these companies, net of income taxes (1978 — \$1,310,000, 1977 — \$1,300,000).	(1,385,000)	(1,398,000)
	<u>2,277,000</u>	<u>1,401,000</u>
Net earnings (loss)	<u>\$ 1,626,000</u>	<u>\$ (295,000)</u>
Net earnings (loss) per share	3.5 cents	(0.6 cents)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Six months ended

SOURCES OF WORKING CAPITAL:

	<i>July 5, 1978</i>	<i>July 6, 1977*</i>
Net earnings (loss)	\$ 1,626,000	\$ (295,000)
Non-cash charges deducted in arriving at earnings, principally depreciation and write-off on departmental improvements	5,370,000	5,290,000
Dividends received in excess of equity in net earnings of Simpsons-Sears Limited and shopping centre companies.	109,000	1,109,000
Gain on retirement of long term debt	(256,000)	(112,000)
Working capital from operations.	<u>6,849,000</u>	<u>5,992,000</u>
Decrease in investments and advances	—	2,179,000
Decrease in non-current accounts receivable	19,000	327,000
Common shares issued under Employees' Stock Option Plans	1,000	1,000
Decrease in loans to a Trustee under Employees' Stock Purchase Plan	13,000	—
Disposal of fixed assets.	28,000	70,000
	<u>6,910,000</u>	<u>8,569,000</u>

APPLICATIONS OF WORKING CAPITAL:

Additions to fixed assets.	3,292,000	1,441,000
Expenditures on departmental improvements	2,659,000	1,957,000
Additions to investments and advances	—	2,540,000
Retirement of long term debt	3,879,000	2,824,000
Dividends on common shares.	5,167,000	5,166,000
	<u>14,997,000</u>	<u>13,928,000</u>
Resulting in a decrease in working capital of.	<u>8,087,000</u>	<u>5,359,000</u>
Working capital at end of period.	<u>\$169,674,000</u>	<u>\$142,286,000</u>

*Restated to reflect 3% inventory tax allowance.
Subject to year-end audit and adjustments.